APPENDIX.

DOCUMENT NO. 1.

Plaintiff's Exhibit No. 14.

Alabama Power Company

Certificate of Convenience and Necessity

For the construction of an electric transmission line extending from a point at or near Lock 12 on the Coosa River in Chilton and Coosa Counties, Alabama, to a point at or near Leeds, in Jefferson County, Alabama. Docket No. 4226.

The petition of Alabama Power Company coming on to be heard praying for the issuance of a certificate of convenience and necessity for the construction of an electric transmission line extending from a point on petitioner's system at or near Lock 12 on the Coosa River in Chilton and Coosa Counties, Alabama, in a northerly direction in and through the Counties of Chilton, Shelby, and Jefferson, to a point on petitioner's system at or near Leeds, in Jefferson County, Alabama;

And it appearing to the Commission that due notice has been given of the hearing of said petition by the Commission on this day; and a public hearing of the petition having been held on this day in accordance with the statutes in such cases made and provided; and after consideration of the plans and purposes of petitioner as presented to the Commission, and in the absence of any opposition being made known to the Commission, and after consideration by the Commission of the necessity and desirability of the construction of said transmission line,

The Commission finds:

(1) That the averments of the petition are true;

(2) That it is to the best interests of the petitioner and the public that the contemplated transmission line be constructed;

It Is, Therefore, Ordered that the prayer of said petition be and is in all things granted, and the Commission by the issuance of this instrument as a certificate of convenience and necessity, does grant and confer upon petitioner, Alabama Power Company, its successors and assigns, all the rights, power and authority, which under the laws of the State of Alabama, it is authorized to confer, for the purpose of enabling petitioner to construct the said transmission line, and all appliances and appurtenances incident, necessary or related thereto;

It Is Further Ordered that a period of not exceeding one year from the date of the grant of this certificate, exclusive of any delay due to the order of any court or to failure to obtain any grant or consent, be and is designated and prescribed as the time within which the authority conferred by this certificate shall be exercised, but that the beginning of the construction by the petitioner of said transmission line in good faith within such time, and the prosecution of the same with reasonable diligence shall constitute a compliance herewith;

It Is Further Ordered that a copy of this instrument be spread upon the records of this Commission, and the original under the seal of this Commission be furnished to petitioner as the certificate of convenience and necessity authorized and required under Section 49 of the Alabama Public Utility Act of 1920.

Dated at Montgomery, Alabama, this the 12th day of May, 1922.

Attest: Alabama Public Service Commission,
Hugh White By A. G. Patterson
Secretary. President.

Alabama Public Service Commission

Certificate of Convenience and Necessity

Granted to Alabama Power Company, an Alabama corporation	For construction and operation of a hydro-electric power plant at Duncan's Riffle (hereafter to be known as "Mitchell Dam") on the Coosa River, in Chilton and Coosa Counties, Alabama.

The petition of Alabama Power Company coming on to be heard praying for the issuance of a certificate of convenience and necessity for the increase and enlargement of its power facilities by the construction and operation of a dam across the Coosa River at the point known as Duncan's Riffle, which dam will hereafter be known as "Mitchell Dam," together with a power house and other works, and for the construction of a transmission line from the proposed power house so as to enable petitioner to transmit power generated therefrom into its present distribution system;

And it appearing to the Commission that due notice has been given that the petition would be heard by the Commission on this day, whereupon the Commission now proceeds with a public hearing of the petition and of all parties interested, in accordance with the statutes in such cases made and provided; and after a consideration of the plans and purposes of petition as presented orally before the Commission, and in the absence of any opposition being made known to the Commission, and after full and careful consideration by the Commission of the necessity and desirability of the increased power production contemplated by the construction in question, the Commission therefore finds:

(1.) That the averments of the petition are true;

(2.) That petitioner has complied with all the laws of the State of Alabama necessary to be complied with in respect to bed and banks and to the appropriation, diversion and use of water for power purposes, and with respect to the right to engage in the business of developing, transmitting and distributing power, and is qualified under State laws to construct a dam across the Coosa River at the point in question and to construct and operate at said location a hydro-electric power plant such as petitioner has in contemplation for the manufacture, supply and sale to the public of power produced by the water impounded by said dam as a motive force;

(3.) That petitioner's proposed plant is a well considered one and is peculiarly fitted to tie into its present development and one that will conserve the water resources of the region and while being an aid to navigation, will enable petitioner to produce at a reasonable cost a large quantity of power to feed into its extensive system, as well as one which it is amply capable of financing;

(4.) That it is to the best interest of all concerned that the contemplated improvements as detailed in the petition be made as speedily as possible.

It is, therefore, ordered that the prayer of said petitioner be in all things granted, and the Commission here and now, by the issuance of this instrument as a certificate of convenience and necessity, does grant and confer upon the petitioner, Alabama Power Company, its successors and assigns, all the rights, power and authority which, under the laws of the State of Alabama, it is authorized to confer, for the purpose of enabling petitioner to construct and operate the said dam, power house and the other works incident, necessary or related thereto, as proposed in said petition, together with the right to construct and

operate such a transmission line as may be necessary to transmit the power generated at said power plant into the system of petitioner.

It is further ordered that a copy of this instrument be spread upon the records of this Commission, and the original, under the Seal of this Commission, be furnished to petitioner as the certificate of convenience and necessity contemplated to be issued under Section 49 of the Alabama Public Utility Act of 1920.

Dated at Montgomery, Alabama, this 17th day of November, 1920.

Sam P. Kennedy
President.

Attest:
Atticus Mullin
Secretary

(Seal)

DOCUMENT NO. 2.

Part of Answer of Tennessee Valley Authority to Interrogatory No. 6-e.

Power Contract Between
Tennessee Valley Authority and
City of Tupelo, Mississippi

This Agreement, made and entered in this.....day of....., 193..., pursuant to the Tennessee Valley Authority Act of 1933, between the Tennessee Valley Authority, hereinafter called "Authority," a corporation created by and acting under said Act, and the City of Tupelo, a municipal corporation duly organized, created and existing under and by virtue of the laws of the State of Mississippi, hereinafter called "Contractor."

Whereas Authority, by Section 10 of said Act, is authorized to sell the surplus power generated by it and not used in its operation, and is directed to give preference to States, counties, municipalities and cooperative organizations of citizens of farmers not organized or doing business for profit; and

Whereas, by Section II of said Act it is provided that the sale of power by Authority shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers to whom the power can economically be made available.

Now Therefore, for and in consideration of the mutual covenants herein contained, the parties hereto mutually covenant and agree as follows:

1. Term of Contract: This contract shall become effective at midnight on February 6, 1934, and shall continue in effect until midnight, February 6, 1954.

2. Power Supply: Authority will, during the term hereof, supply electrical energy to Contractor for municipal purposes and retail distribution. Contractor agrees to purchase, and Authority to supply, the entire power requirements of Contractor, except as herein specified. Said energy will be delivered in the form of 3 phase, alternating current at approximately 60 cycles per second and approximately 2300 volts. The maximum amount of electricity (called the reserve power) which Authority agrees to supply is 7500 KVA, but Contractor may, upon securing the consent of Authority and in conformity with such additional or supplementary agreements as the parties may enter into, increase such maximum demand.

After the expiration of the first five years operation under this contract, as Contractor foresees the necessity for more than 7500 KVA, Contractor shall have the privilege of making written demand upon Authority for an increase of reserve power. Such increase shall take effect nine months after date of demand if the demand specified be less than 5,000 K. W. or twelve months after date of demand if the amount specified be over 5,000 K. W. and not over 10,000 K. W., or two years after date of demand if additional demand specified be in excess of 10,000 K. W.

3. Point of Delivery: The electrical energy to be supplied to Contractor hereunder shall be delivered at the outgoing side of main switch or switches on the low tension side of the main step-down transformers of a substation to be constructed, owned and maintained by Authority. The approximate location of this substation will be at or near the east side of the Mobile and Ohio Railroad in the vicinity of Main and Commerce Streets, or elsewhere near the corporate limits of the Contractor at a site to be determined by Authority.

4. Schedule of Rates: Attached hereto, and made a part hereof by reference, the same as though physically incorporated herein, is a "Schedule of Rates and Charges." Contractor agrees to pay for the energy supplied by Authority at the rates fixed in Schedule A, entitled "Tennessee Valley Authority Wholesale Power Rates."

5. Minimum Demand: Contractor covenants and agrees that during the life of this contract it will pay for not less than sixty percent of the minimum monthly maximum demand requirement occurring during the first twelve months of operation under this contract, and in no case less than 750 K. W. of monthly maximum demand, whether or not such demand is actually used.

6. Resale Rates: In order to carry out the obligations of Authority with respect to the promotion of a wider use of electricity throughout the area in which it operates, Contractor agrees to charge all of its consumers the rates prescribed for the several classes thereof in Schedule B ("Resale Rates") of the Schedule of Rates and Charges, and not to depart therefrom except with the written consent of Authority.

7. Schedule of Terms and Conditions of Operation: Attached hereto, and made a part hereof by reference, the same as though physically incorporated herein, is a schedule of "Rules and Regulations;" and it is understood and agreed that the several provisions of said schedule, as well as the several provisions of this contract and of the "Schedule of Rates and Charges," are of the essence of this contract, and that their violation by Contractor renders this contract voidable at the option of Authority.

The schedule of Rules and Regulations are standard and of uniform applicability to all customers of Authority, and the Contractor hereby agrees to be bound by any future

addition or amendments of such schedule of Rules and Regulations during the term of this contract, the same as though such additions or changes were incorporated herein.

8. Rules and Regulations of Contractor: In the interest of uniformity, and for the protection of both Contractor and Authority, Contractor agrees to adopt and enforce such uniform rules and regulations for the sale of electricity to the public as Authority may from time to time prescribe during the term of this contract.

9. Contract Not Transferable: Neither this contract nor any interest therein shall be transferred or assigned by Contractor to any other party without the written consent of Authority.

10. Termination or Renewal: There is no obligation expressed or implied to extend the date of this contract beyond the date fixed for termination.

In Witness Whereof, the parties have hereto signed their names the day and year first above written.

Tennessee Valley Authority

By: .....
Chairman, Board of Directors

By: .....
Mayor

Attest:

.....
City Clerk.

Schedule A

Tennessee Valley Authority

Wholesale Power Rates

Wholesale Rate

Demand Charge—$0.90 per K. W. per month.

Demand—Maximum integrated sixty (60) minute period.

Energy Charge

First	100,000	kilowatt hours	per	month	at	4	mills	per	K.WH
Next	200,000	"	"	"	"	"	3	"	"	"
Next	700,000	"	"	"	"	"	2.5	"	"	"
Over	1,000,000	"	"	"	"	"	2	"	"	"

Minimum Monthly Bill

$0.90 per K. W. per month, and in no case shall the minimum bill be less than the charge for sixty per cent (60%) of the highest demand occurring the previous consecutive twelve (12) month period.

Adjustment of Demand Charge

(a) Contractor shall keep an accurate record of the space heating appliances installed in residences, and shall on request furnish Authority with a correct schedule of all such installations showing maximum connected load in kilowatts.

Contractor's monthly maximum demand shall be subject to a reduction of not to exceed sixty five per cent of the total amount of the above schedule during the heating season beginning October 15th, and ending April 15th. The exact amount of reduction for any particular month will be determined by a comparison of demand and usage before and after the heating season, and will be adjusted in such manner as will not effect a reduction in billed monthly demand greater than its actual use for residence space heating purposes.

(b) Demand charge may be adjusted if, and when, Authority deems necessary to correct for power factors lower than eighty-five per cent (85%). Such adjustments will be made in such manner as to bring the demand charge to the equivalent of eighty-five per cent (85%) power factor.

Schedule B

Resale Rates

Tennessee Valley Authority Standard Residential Rate

Available

To all residential customers at local distribution secondary voltage either 2 wire or 3 wire service as Municipality may require.

First	50	Kilowatt hours	per	month	@ 3c	per	KWH
Next	150	"	"	"	"	@ 2c	"	"
Next	200	"	"	"	"	@ 1c	"	"
Excess over	400	"	"	"	"	@ 0.4c	"	"

Minimum Monthly Bill

5 Ampere Meter	$ .75
15 Ampere Meter	1.00
50 Ampere Meter	1.50

Tennessee Valley Authority Basic Commercial Rate

Available

To commercial customers taking service from the Municipality's secondary system.

First	250	Kilowatt hours	per	month	@ 3c	per	KWH
Next	750	"	"	"	"	@ 2c	"	"
Next	1000	"	"	"	"	@ 1c	"	"
Excess over	2000	"	"	"	"	@ 0.8c	"	"

Minimum Monthly Bill

5 Ampere Meter	50	Kilowatt hours	$1.50
15 Ampere Meter	66⅔	" "	2.00
50 Ampere Meter	100	" "	3.00

Surcharge

Basic rate subject to a surcharge as provided for in Rules and Regulations.

Tennessee Valley Authority Basic Industrial Rate

Available

To industrial power users having demands in excess of 10 K. W. Service at primary distribution voltage or secondary distribution voltage at discretion of Contractor.

Demand Charge

$1.00 per K. W. per month.
Demand—Maximum integrated thirty (30) minute period.

Energy Charge

First	10,000 KWH per month @	10	mills per KWH
Next	25,000 KWH per month @	6	mills per KWH
Next	65,000 KWH per month @	4	mills per KWH
Next	400,000 KWH per month @	3	mills per KWH
Excess over	500,000 KWH per month @	2.5	mills per KWH

Minimum Monthly Bill

$1.00 per K. W. of maximum demand, but in no case shall the maximum demand for billing purposes be taken at less than sixty per cent (60%) of the maximum monthly demand billed during the preceding twelve (12) consecutive months period.

Service taken under the small power rate will be subject to minimum bill prescribed for commercial customers.

Small Power Rate

Customers having a load of 10 K. W. demand or less to be billed on Basic Commercial Rate.

Surcharge

Basic Rate (including small power rate) subject to a surcharge, as provided for in Rules and Regulations.

Seasonal Loads

Contractor may in its discretion discontinue service on seasonal loads and establish a minimum payment for idle months sufficient to cover costs involved.

Schedule of Rules and Regulations

1. Measurement of Demand and Energy: Demand measurement shall be made by graphic or other standard and suitable instrument or instruments at the point or points of delivery or may, at the option of Authority, be installed at some other point or points where housing facilities are available or may be made available and/or operation simplified. Provided, however, that in the event that metering is effected at some other location than at point of delivery, suitable correction shall be made of the amounts determined at such location so that the adjusted amount will so far as possible reflect the exact quantities delivered at the actual point or points of delivery.

Demand for any month for the purpose of this contract shall be defined as the highest integrated load furnished to Contractor during any sixty (60) minute period during the month for which the determination is made.

Energy (kilowatt hours) measurements shall be made by standard single or polyphase watt hour meters at Authority's option with the same reservation with re-

spect to location of meters as is applicable to demand meters.

2. Meters: Authority will, at its own expense, install and maintain the necessary meters for measuring the maximum demand and amount of energy furnished Contractor. Provided, that should these meters fail or be found inaccurate the maximum demand and amount of energy delivered will be estimated from the best information available.

3. Failure to Make Payments: Payment for energy used in any calendar month shall be due on the fifteenth of the succeeding month. Upon failure of Contractor to pay for the energy used in any calendar month within thirty (30) days after the close of the month, Authority shall have the right to discontinue the supply of energy and refuse to resume delivery so long as any part thereof remains unpaid. Discontinuance of supply under this section or under section 12 hereof will not relieve Contractor of its liability for the agreed monthly payment during the time the supply of energy is so discontinued. To any amount remaining unpaid on the first day of the calendar month following the due date, there shall be added a penalty of one (1) percent and an additional one (1) percent shall be added on the first day of each succeeding month until the amount is paid in full.

4. Interruption of Service: Authority will furnish energy as agreed upon continuously so far as reasonable diligence will permit, but Authority, its officers, agents or employees shall not be liable for damages when, for any reason suspensions of the operation of the power system of Authority, or any part thereof, interfere with the delivery of electrical energy to Contractor, nor shall such

an interruption constitute a breach of this contract on the part of Authority. Provided, that Authority shall make appropriate adjustment of the demand charge in the event of an interruption.

5. Lower Rates to other Municipalities: If at any time during the term of this agreement Authority should supply electricity to any municipality at a lower rate than that applicable to Contractor, and such lower rate shall not be justified by different conditions of service, making the cost to such other municipality relatively less than to Contractor, such lower rate shall be made available to Contractor so long as such lower rate shall be given to such other municipality while this contract is in force.

6. Developmental Surcharge: Contractor agrees not to depart from the resale rates set forth in Schedule B without first securing the consent of Authority: Provided, however, that in order to maintain Contractor's revenues in the developmental period in which the increased demand for power may not compensate for the greatly reduced rates provided for in Schedule B, Contractor may impose a surcharge upon those classes of consumers subject to a surcharge under the provisions of said schedule. Contractor may initially determine and may from time to time vary such surcharge, with the understanding, however, that all revenues over those required for the appropriations set forth in Section 10 (a) herein shall be applied to the reduction or elimination of surcharges. Surcharges shall be based on a straight percentage of net bills, and shall apply uniformly to all members of classes as to which surcharges are authorized.

7. Adjustment of Rates: In the event of a major increase or decrease in general price and wage levels of

such a substantial character as materially and substantially to change the cost basis upon which the rates fixed by this contract are predicated, the parties hereto agree, by supplemental contract or contracts, or otherwise, to make appropriate adjustment of the rates fixed herein. Should the cost of living index compiled by the Department of Labor of the United States show a decrease for six consecutive calendar months of 20 percent or more under the index figures for the month in which this contract is signed, Contractor may in writing request Authority to agree to such a reduction in rates as the circumstances may warrant, and should such index figures show a 20 percent or more increase for the same period, Authority may in writing request Contractor to agree to such an increase in rates as the circumstances may warrant. If within thirty days after the receipt of such a request the parties shall be unable to agree to a satisfactory adjustment, the question shall be submitted to three arbitrators, one to be appointed by each of the parties, and a third to be appointed by the two so selected. A decision of the arbirators shall require only a majority vote, and such a decision shall be final and binding upon both parties. Should either of the parties fail or refuse to appoint an arbitrator within fifteen days after receipt of written request from the other party to make such an appointment, or should the arbitrators so appointed fail to agree upon a third arbitrator within such period, Contractor shall only be liable, if costs have decreased, for the amount of its bill as computed under the rates provided for herein, less such a percentage as it may fix, such percentage in no event to exceed the per cent of decrease in the cost of living as determined by the Department of Labor; and if costs have increased, Contractor shall be liable for such an additional amount as Authority

may fix, such increase not to exceed the percentage of increase in the cost of living as determined by the Department of Labor. The rates as adjusted pursuant to this article shall be applied to the billing for the first calendar month following their determination, and shall remain in effect for the duration of the contract, unless there should be other major changes in general price levels, in which case the procedure of rate adjustment herein prescribed shall be applicable to successive changes in rates. Should the Department of Labor fail to compile and publish indices on changes in the cost of living, other reliable indices on such changes may be used in their stead.

8. Reductions in Rates: Authority agrees to reduce the wholesale rates herein fixed whenever, in the opinion of the Authority, reductions in the cost of generating and transmitting energy making feasible such reductions in rates; it being the intention of the parties that Contractor shall participate in the benefits of reductions in the cost of generation and transmission.

9. Administration of Contractor's system: Contractor agrees:

(a) To administer its electric system as a separate department and not to mingle funds or accounts with those of any other of its operations.

(b) To keep its electric system accounts according to a system of accounts to be prescribed by Authority after conference with Contractor, which system of accounts will so far as possible be uniform with other systems prescribed and applied in other municipalities purchasing electrical energy from Authority. Authority agrees at its own expense to render advisory accounting service in the setting up and administering of such accounts.

(c) To furnish promptly to authority such operating and financial statements relating to electric system operations as may be requested by Authority.

(d) To allow the duly authorized agents of Authority to have free access to all books and records relating to electric system operations.

(e) To sell and distribute electrical energy to the ultimate consumer without discrimination between consumers of the same class, and no rate shall be charged or practice adopted which will grant a discriminatory rate, rebate or other special concession to any consumer served by Contractor. Contractor shall observe the principle that the sale of energy for industrial use shall be a secondary purpose, to be utilized principally to secure a sufficient high load factor and revenue to permit domestic and rural use at the lowest possible rates and in such manner as to encourage increased domestic and rural use of electricity.

10. Disposition of Contractor's revenues: Contractor agrees to dispose of revenues from the operation of its municipal electric system in the following manner:

(a) Revenues will first be used for operating expenses, after which, in the order named, revenues shall be made applicable to interest on electric system bonds and/or other indebtedness applicable to said electric system, amortization of such bonds, or other indebtedness, reasonable reserves for new construction and other contingencies, payment to the general fund of Contractor for taxes at rates equivalent to the taxes assessed against other property of a similar nature, and a return on Contractor's equity of not more than six per cent per annum.

(b) After the appropriation of the above amounts the

Contractor agrees that all remaining revenue shall be applied to reductions in the rates to consumers.

11. Service to Nearby Areas: Contractor agrees to serve nearby rural areas whenever such service can feasibly be rendered.

12. Construction and Maintenance of Contractor's Equipment: All equipment, material and work in connection with Contractor's electrical installation must conform to specifications and plans acceptable to Authority and must be maintained in a safe and satisfactory condition. Authority may discontinue the supply of energy to Contractor, if after reasonable notice of non-conformity with the acceptable plans and specifications or of unsafe and unsatisfactory condition, Contractor fails or refuses to make such changes as may be required.

DOCUMENT NO. 3.

Part of Answer of Tennessee Valley Authority to Interrogatory No. 6-e.

Tennessee Valley Authority
Information Service
June 1, 1934

Power Contract
Between
Tennessee Valley Authority
And
Alcorn County Electric Power Association

This Agreement, made and entered into this 1st day of June, 1934, pursuant to the Tennessee Valley Authority Act of 1933, between the Tennessee Valley Authority, hereinafter called "Authority", a corporation created by and acting under said Act, and Alcorn County Electric Power Association, a non-profit civic improvement corporation organized, created and existing under and by virtue of the Laws of the State of Mississippi, hereinafter called "Association".

Witnesseth:

Whereas, Authority, by Section 10 of said Act, is authorized to sell the surplus power generated by it and not used in its operations, and is directed to give preference to States, Counties, Municipalities and cooperative organizations of citizens or farmers not organized or doing business for profit; and

Whereas, by Section 11 of said Act, it is provided that

the sale of power by Authority shall be primarily for the benefit of the people of the section as a whole and particularly the domestic and rural consumers to whom the power can economically be made available; and

Whereas, Authority now owns, has under construction and/or has under option to purchase from the Mississippi Power Company certain properties and facilities for the distribution of electricity in Alcorn County, State of Mississippi; and

Whereas, Association desires to acquire by purchase and/or lease certain of said properties and facilities and to operate them in the distribution of electricity on a membership basis and without profit to the residents and farmers in the area of its operations and for commercial, industrial, and municipal purposes in said area; and

Whereas, Association desires to purchase power from Authority at wholesale for use in its operations, and whereas Association and Authority have by their by-laws and resolutions authorized the execution of this contract;

Now Therefore, for and in consideration of the mutual covenants herein contained, the parties hereto mutually covenant and agree as follows:

1. Incorporation of other Documents: This contract is executed and shall be construed in connection with certain other conveyances and agreements of even date which are contained in a certain instrument entitled, "Sale, Lease, Trust and Security Contract Between Tennessee Valley Authority, United States of America and Alcorn County Electric Power Association", which instrument is attached hereto and hereby made a part hereof. Said conveyances and agreements comprise and include the following:

(a) A conveyance by Authority to Association of certain personal property of Authority, used or useful in distributing electricity at retail in Alcorn County, State of Mississippi.

(b) A lease for the term of fifty years of certain rights of way and easements of the United States of America entrusted to Authority, used or useful in distributing electricity at retail in Alcorn County, State of Mississippi.

(c) Certain covenants intended as security for the obligations to Authority assumed herein by Association. This contract shall not become effective unless and until the instrument hereinabove described shall have been executed.

2. Term of Contract: This contract shall become effective upon the execution hereof and of the instruments hereinabove described, and shall continue in effect for 20 years; Provided, however, that Association's obligations with respect to the payment for property purchased and/or leased from Authority shall continue until such obligations have been satisfied and that Authority may continue to exercise all the powers and privileges granted herein, and in the instrument described in Article 1, as security for the payment of Association's indebtedness until such indebtedness shall have been satisfied.

3. Power Supply: Authority agrees to supply electrical energy to Association for its own use and for resale. Association agrees to purchase from Authority, and Authority agrees to supply the entire power requirements of Association. Said energy will be delivered in the form of three phase, alternating current at approximately 60 cycles per second and approximately 2,300 volts, or at such voltage as the parties may from time to time agree. The maximum

amount of electricity (called "reserve power"), which Authority agrees to supply within the first two year period is 2,500 KW, but thereafter Association shall have the right to increase such maximum demand as herein specified, and Authority shall deliver the same to Association. After two years from the date of initial delivery, as Association foresees the necessity for more than 2,500 KW, Association shall make written demand upon Authority for an increase of reserve power. Such increase shall take effect nine months after date of demand if the amount demanded is less than 5,000 KW, twelve months after date of demand, if the amount demanded is over 5,000 KW, and less than 10,000 KW, and two years after date of demand if the amount demanded is 10,000 KW or more.

4. Point of Delivery: The energy to be supplied Association hereunder shall be delivered at the outgoing side of the main switch or switches on the low tension side of the main step-down transformers of the substation located at Cox and White Streets in the City of Corinth, Alcorn County, Mississippi, or at such other point as Authority may select which shall not occasion greater cost to Association.

5. Payment for Property: In consideration for the property which Authority shall convey to Association by the conveyance described in Article 1 (a) hereof and for the property which Authority and/or the United States of America shall lease to Association by the lease described in Article 1 (b) hereof, Association agrees to pay to Authority the sum of one hundred and fourteen thousand, six hundred and thirty-two dollars and sixty cents ($114,632.60), hereinafter called the "principal obligation". Association agrees to pay interest upon unpaid balances at

the rate of three and one-half (3½) per centum annually. Interest shall be computed semi-annually, beginning six calendar months after the date of execution of this contract.

6. Construction of Rural Lines: Authority agrees to construct, and after construction, to lease for a period expiring not sooner than the lease described in Article 1 (b) hereof and/or to convey to Association, at the option of Authority, such additional rural electric distribution or transmission lines, in or adjacent to Alcorn County, State of Mississippi, as Authority may deem advisable, but Authority shall not be obligated to construct any such lines as, added to the rural distribution or transmission lines already owned or leased by Association, shall exceed one hundred (100) miles of such lines. Association agrees to pay, in addition to the principal obligation, the actual cost to Authority, as billed by Authority, of any lines constructed and leased and/or conveyed pursuant to this Article, and said additional indebtedness shall be secured in the same manner and to the same extent as the principal obligation, and shall carry the same rate of interest; Provided, however, that Association's liability for such rural lines shall not exceed $125,000.00 without its consent in writing.

7. Method of Payment for Property: Association agrees to pay over to Authority on account of its indebtedness, and until such indebtedness shall have been totally repaid, all membership fees received; Provided, however, that Association may initially, and until its working capital is built up from its operations, retain so much of its membership fees as may be necessary to enable it to maintain a total cash working capital balance of $2500.00; Provided, further, that the indebtedness of Association to Authority

shall be decreased or satisfied only by the amounts actually paid to Authority.

8. Repayment of Indebtedness: Association agrees, until it has repaid its total indebtedness to Authority, to pay to Authority, in addition to all other amounts provided for in this contract, its total surplus revenues as hereinafter defined. Such surplus revenues, if any, shall be computed as of the 15th day of each month and shall be paid not later than the first day of the following month. All payments shall be made to Authority at its offices at Wilson Dam, Florence, Alabama, or at such other places as Authority may from time to time designate.

9. Disposition of Association's Revenues: Association agrees to dispose of its gross revenues in the following manner:

(a) Revenues shall first be used for the payment of operating expenses, including salaries, wages, cost of materials and supplies, power at wholesale, taxes and insurance.

(b) Thereafter revenues shall be used to set up reasonable reserves for new construction and for contingencies, and to create a reasonable cash working capital fund. As further security for Association's indebtedness to Authority, Association agrees that Authority may in its discretion fix maximum amounts for the reserves and the fund herein authorized to be set up, and may direct the investment or disposition of such reserves and fund.

(c) After the payment or setting aside of the above amounts all remaining revenues shall be considered surplus revenues and shall be paid over to Authority in the manner prescribed above, until Association's indebtedness to Authority on account of accrued interest shall be satisfied.

(d) Remaining surplus revenues shall thereafter be paid over to Authority until Association's indebtedness to Authority on account of property purchased or leased from Authority shall be satisfied.

(e) After payment to Authority in full for property purchased from Authority, all surplus revenues shall be paid over to Authority in the manner prescribed above until Association's remaining indebtedness to Authority and/or the United States of America shall be satisfied.

(f) After the satisfaction of the indebtedness to Authority and/or the United States of America, all surplus revenues shall be used to reduce or eliminate surcharges to Association's members.

(g) After the elimination of surcharges, all surplus revenues shall be used to reimburse members to the extent of not more than the stated value of their memberships (less $10.00 per membership which shall be non-reimbursable) and/or to the reduction of Association's rates, as Association may determine.

10. Alienation or Encumbrance of Property or Revenues: Association agrees not to sell, pledge, mortgage, assign, hypothecate or otherwise alienate or encumber its electric property or revenues, or any part thereof, without first securing the written approval of Authority, except that it may dispose of stocks of wares and merchandise at retail in the normal course of business.

11. Maintenance and Insurance of Property: Association agrees that it will at all times make, or cause to be made, at its own expense, such repairs, maintenance, renewals and replacements as shall be necessary to maintain, preserve and keep the rural lines constructed by Association in good repair, working order and condition, and to maintain and

preserve the efficiency thereof, (of the plants and properties) and to execute such work of maintenance or improvement as Authority may deem necessary for the protection of its interest in said property, to pay all taxes and assessments thereon, of whatever nature or description, and to save harmless Authority from any liability for taxes on the property sold or leased to or constructed for Association, including taxes for the year 1934. Association agrees to keep such property, whether purchased or leased, insured in such manner and amount as Authority may deem prudent and desirable, for the protection of Authority as its interest may appear.

12. Schedule of Rates: Attached hereto, and hereby made a part hereof by reference, the same as though physically incorporated herein, is a "Schedule of Rates and Charges." Association agrees to pay for the energy supplied by Authority at the rates fixed in Schedule A, entitled "Tennessee Valley Authority Wholesale Power Rates."

13. Resale Rates: (a) In order to carry out the obligations of Authority with respect to the promotion of a wider use of electricity throughout the area in which it operates, in order to further the purposes of civic improvement for which Association was organized, and as further security for the indebtedness of Association to Authority, Association agrees to charge all of its members, and non-member governmental customers, if any, the rates prescribed for the several classes of consumers in Schedule B, entitled "Tennessee Valley Resale Rates," and not to depart therefrom except with the written consent of Authority. Authority may from time to time prescribe additional resale schedules for special classes of members or special uses of electricity, and Association agrees to be bound thereby. If it should appear that the rates provided for in said Sched-

ule with the surcharges provided for therein do not under economical and efficient management by Association produce revenues sufficient to maintain the system on a self-supporting and financially sound basis, then upon application by Association, Authority shall consent to such changes in rates as will provide for such increased revenues as will place the system upon a self-supporting and financially sound basis when operated under economical and efficient management.

(b) Association may charge non-member customers, other than governmental customers, such other and different rates as may be required to yield the full cost of operation to Association but Association agrees that such rate shall not be discriminatory as between non-member customers or classes thereof and that its non-member operations shall not be conducted for the purpose of making a profit.

14. Non-Member Service: Association agrees that it will not, except after having first secured the approval of Authority, serve any non-members; Provided, however, that this provision shall not apply to service to customers who are at the time of the acquisition of any given lines by Association, taking services from such lines, and who continue to take service without change of residence, nor to municipal corporations or other political agencies or sub-divisions, who shall constitute "governmental customers" as used herein.

15. Terms of membership in Association: Association agrees to make its memberships available without discrimination to any person, corporation, co-partnership, association, municipality, or political body or subdivision within the area of its service. The initial stated value of memberships shall be $100.00, but such value shall be subject

to reduction as hereinafter provided. Members who pay the full membership fee in advance shall be entitled to a reduction of not to exceed 20 per cent and the advance payments of balances shall be subject to such reduction as Association may from time to time fix, not to exceed 20 per cent. The minimum initial installment on memberships shall not be fixed at less than $10.00 without first securing the written consent of Authority, and the balance shall be payable at the rate of one cent per kilowatt hour for each kilowatt hour used per month up to and including 100 kilowatt hours per month, but in no case less than twenty-five cents ($0.25) per month. The stated value of memberships shall, from time to time, be reduced by the amount of reimbursements made pursuant to Article 9 hereof, and new members shall be admitted at the new stated value thus arrived at.

16. Rules and Regulations of Authority: Attached hereto, and hereby made a part hereof by reference, the same as though physically incorporated herein, is a schedule entitled "Schedule of Rules and Regulations," and it is understood that the several provisions of said schedule, as well as the several provisions of this contract and of the Schedule of Rates and Charges, are of the essence of this contract, and that their violation by Association renders this contract voidable at the option of Authority, unless such violations are cured upon reasonable notice.

Association hereby agrees to be bound, during the term hereof, by any future additions or amendments of such Schedule of Rules and Regulations, prescribed after conference with representatives of Association, the same as though such additions or amendments were incorporated herein. If there should be any conflict between any Rules or Regulations prescribed pursuant to this and the follow-

ing article, and the terms of this contract, the contract shall control.

17. Rules and Regulations of Association: In the interest of uniformity, and for the protection of both Association and Authority, Association agrees to adopt and enforce such rules and regulations for the sale of electricity to both members and non-members as Authority may, after conference with representatives of Association, from time to time prescribe during the term of this contract for uniform application to all of the wholesale customers of Authority deemed to have similar characteristics.

18. Rendition of Advisory Services by Authority: Authority agrees to render advisory services to Association in problems of personnel and administration, to secure the attendance of its District Engineer at meetings of the Board of Association, so far as may be practicable and convenient, and to make available to Association the facilities and services of its Personnel Division so far as may be necessary in the selection of Association's employees. Association agrees that it will not employ or retain in its employ any person deemed by Authority not to qualify for his position or whose services Authority may deem to be unnecessary.

19. Customers' Deposits and Accounts Receivable: Authority agrees to turn over to Association all deposits of active customers served by the lines conveyed pursuant to Article 1 (a) hereof, with accrued interest thereon, plus all accounts receivable from such customers for sales of electricity and electrical appliances and merchandise. Association agrees to assume full responsibility for the disposition of such deposits and accrued interest and to save Authority harmless with respect thereto, and agrees further to act as agent of Authority in the collection of accounts re-

ceivable, and promptly to remit to Authority all collections of such accounts. Association agrees to use all customary and usual methods of collecting such accounts, including exercise of the right of discontinuance of service for failure of payment thereof.

20. Use of Association's Lines: Authority shall have the right, to the extent of the transmission capacity of Association's lines, to the free use of Association's poles and wires for transmission purposes, and for service to industrial customers with a demand of 1000 KW or more who elect to take service from Authority.

21. Reports to Authority: Association agrees that, not later than the first of February of each year, it will render a report to Authority as to the results of its operations of the preceding year, the condition of its property, and such other information as Authority may request. Such reports shall be made in such form as Authority may prescribe. From time to time Association agrees promptly to render such additional reports or information to Authority as Authority may request.

22. Bonding of Employees: Association agrees to bond in a reasonable amount all employees whose duties require or permit them to handle or dispose of money belonging to Association.

23. Discrimination: Association agrees to render service without discrimination between consumers of the same class, and this contract shall be voidable at the option of Authority, if a discriminatory rate, rebate, or other special concession is made or given to member or non-member customers.

24. Declaration of Policy: This contract is entered into in a spirit of cooperation and with the desire on the part of Authority and Association so to administer the rela-

tionship established by this contract as to operate to the benefit of the area served by Association and the residents thereof and of the residents of the Tennessee Valley. In furtherance of this cooperative relationship Authority will, by every means within its power, seek to further the economic welfare of such area by fostering and promoting the increased use of electricity therein, and by such other means as are provided by law. Association agrees to cooperate with Authority in such program within Association's area of operation and to work with Authority in furthering the economic well-being of the entire Tennessee Valley. This contract shall be construed and administered in accordance with this statement of policy.

25. Contract not transferable: Neither this contract nor any interest therein shall be transferable or assignable by Association to any other party without first securing the written consent of Authority.

In Witness Whereof, the parties hereto have caused this instrument to be signed and attested at Corinth, Mississippi, by their duly authorized officers, the day and year first above written.

Tennessee Valley Authority

By .....
Chairman, Board of Directors

Attest:

.....
Secretary

Alcorn County Electric Power Association

By .....
President

Attest:

.....
Secretary.

Schedule of Rates and Charges

Schedule A

Tennessee Valley Authority
Wholesale Power Rates

Wholesale Rate

Demand Charge—$0.90 per K. W. per month.

Demand—Maximum integrated sixty (60) minute period.

Charge for energy up to and including 360 times the demand.

First	100,000 KWH per mo. at 4	mills per KWH
Next	200,000 KWH per mo. at 3	mills per KWH
Next	700,000 KWH per mo. at 2.5	mills per KWH
Over	1,000,000 KWH per mo. at 2	mills per KWH

Charge for energy in excess of 360 times the demand shall be subject to a reduction of 0.5 mills per K. W. H. from the otherwise applicable rate.

Minimum Monthly Bill

The minimum bill for any month shall be equal to the demand charge for said month, but in no case less than the charge of sixty per cent (60%) of the highest demand occurring during any month within the previous twelve (12) month period.

Allowance on Sales to Residential Consumers

Authority will adjust bill so that Association shall be billed at 2 mills per K. W. H. for at least so much energy as may be sold by Association under the residential resale schedule at 4 mills per K. W. H.

Adjustment of Demand Charge

Demand charge may be adjusted if and when Authority deems necessary to correct for power factors lower than eighty-five per cent (85%). Such adjustments will be made in such manner as to bring the demand charge to the equivalent of eighty-five per cent (85%) power factor.

Schedule B

Tennessee Valley Authority Resale Rates
Standard Residential and Rural Rate

Available

To members of Association only, for residential and rural use in single family residences, apartments or farms at local distribution secondary voltage, either 2 wire or 3 wire service as Association may require.

First	50	Kilowatt hours	per	month	@	3c	per	KWH
Next	150	"	"	"	"	@ 2c	"	"
Next	200	"	"	"	"	@ 1c	"	"
Next	1000	"	"	"	"	@ 0.4c	per	KWH
Excess over	1400	"	"	"	"	@ 0.75c	"	"

Minimum Monthly Bill

5 Ampere Meter	$ .75
15 Ampere Meter	1.00
50 Ampere Meter	1.50

Basic Commercial Rate

Available

To commercial customers (members only) taking service from Association's secondary system.

First	250	Kilowatt hours	per month @ 3c	per KWH
Next	750	Kilowatt hours	per month @ 2c	per KWH
Next	1000	Kilowatt hours	per month @ 1c	per KWH
Excess over	2000	Kilowatt hours	per month @ 0.8c	per KWH

Minimum Monthly Bill

5 Ampere Meter	50	Kilowatt hours	$1.50
15 " "	66⅔	Kilowatt hours	2.00
50 " "	100	Kilowatt hours	3.00

Surcharge

Basic rate subject to a surcharge as provided for in Rules and Regulations.

Street Lighting Rate

Where the street lighting system is owned, operated and maintained by Association, the total charge for service shall consist of an energy charge at the Basic Commercial Rate plus the surcharge for commercial customers, if any, plus a unit charge as follows:

Lamp size	Unit charge per month
1000 lum.	.80
2500 "	1.05
4000 "	1.40
6000 "	1.70
10000 "	2.15

Basic Industrial Rate

Available

To industrial power users (members only) having demands in excess of 10 K. W. Service at primary distribution voltage or secondary distribution voltage at discretion of Association.

Demand Charge

$1.00 per K. W. per month

Demand—Maximum integrated thirty (30) minute period.

Energy Charge

First	10,000 KWH per month @	10	mills per KWH
Next	25,000 KWH per month @	6	mills per KWH
Next	65,000 KWH per month @	4	mills per KWH
Next	400,000 KWH per month @	3	mills per KWH
Excess over	500,000 KWH per month @	2.5	mills per KWH

Minimum Monthly Bill

$1.00 per K. W. of maximum demand, but in no case shall the maximum demand for billing purposes be taken as less than sixty (60%) per cent of the maxi-

mum monthly demand billed during the preceding twelve (12) consecutive months period.

Small Power Rate

Customers having a load of 10 K. W. demand or less will be billed on Basic Commercial Rate. Service taken under the small power rate will be subject to the minimum bill prescribed for commercial customers.

Surcharge

Basic Rate (including small power rate) subject to surcharge, as provided for in Rules and Regulations.

Seasonal Loads

Association may in its discretion discontinue service on seasonal loads and establish a minimum payment for idle months sufficient to cover costs involved.

Adjustment of Demand Charge

Demand charge may be adjusted if and when Association deems necessary to correct for power factors lower than eighty-five per cent (85%). Such adjustments will be made in such manner as to bring the demand charge to the equivalent of eighty-five per cent (85%) power factor.

Tennessee Valley Authority

Schedule of Rules and Regulations

1. Measurement of Demand and Energy: Demand measurement shall be made by suitable instruments at the point or points of delivery or may, at the option of Authority, be installed at some other point or points where housing facilities are available or may be made available and/or operation simplified; Provided, however, that in the event that metering is effected at some other location than at point of delivery, suitable correction shall be made of the amounts determined at such location so that the ad-

justed amounts will so far as possible reflect the exact quantities delivered at the actual point or points of delivery.

Demand for any month for the purpose of this contract shall be defined as the highest integrated load furnished to Association during any sixty (60) minute period during the month for which the determination is made.

Energy measurements shall be made by suitable watt hour meters with the same reservation with respect to location of meters as is applicable to demand meters.

Authority will, at its own expense, install and maintain the necessary meters for measuring the maximum demand and amount of energy furnished Association, Provided, that should these meters fail or be found inaccurate the maximum demand and amount of energy delivered will be estimated from the best information available.

2. Space Heating Appliances: Association shall keep an accurate record of the space heating appliances installed in residences, and shall on request furnish Authority with a correct schedule of all such installations showing maximum connected load in kilowatts. Association's monthly maximum demand shall be subject to a reduction of not to exceed sixty-five per cent of the total amount of the above schedule during the heating season beginning October 15th, and ending April 15th. The exact amount of reduction for any given month will be determined by a comparison of demand and usage before and after the heating season, and by the use of other relevant data, and will be adjusted in such manner as will not effect a reduction in billed monthly demand greater than its actual use for residence space heating purposes.

3. Failure to Make Payments: Payments for energy used in any calendar month shall be due on the fifteenth

of the succeeding month, or five days after receipt of bill from Authority, whichever is the later. Upon failure of Association to pay for the energy used in any calendar month within fifteen (15) days after due date, Authority shall have the right to discontinue the supply of energy and refuse to resume delivery so long as any part thereof remains unpaid. Discontinuance of supply under this section will not relieve Association of its liability for the agreed minimum monthly payment during the time the supply of energy is so discontinued. To any amount remaining unpaid on the first day of the calendar month following the due date, there shall be added a penalty of one (1) per cent and an additional one (1) per cent shall be added on the first day of each succeeding month until the amount is paid in full. All payments shall be made to Authority at its offices at Wilson Dam, Florence, Alabama.

4. Interruption of Service: Authority will furnish energy as agreed upon continuously so far as reasonable diligence will permit, but Authority, its officers, agents or employees shall not be liable for damages when, for any reason, suspension of the operation of the generation and transmission system serving Association, or any part thereof, interfere with the delivery of electric energy to Association, nor shall such an interruption constitute a breach of this contract on the part of Authority; Provided, that Authority shall make appropriate adjustments of the demand charge in the event of an interruption.

5. Lower Rates to other Wholesale Customers: If at any time during the term of this agreement Authority should supply electricity to any other wholesale customer at a lower rate than that applicable to Association, and such lower rate shall not be justified by different conditions of

service, making the cost to such other customer relatively less than to Association, such lower rate shall be made available to Association so long as such lower rate shall be given to such other customer while this contract is in force.

6. Developmental Surcharge: Association agrees not to depart from the resale rates set forth in Schedule B of the Schedule of Rates and Charges without first securing the consent of Authority; Provided, however, that Association may apply a prompt payment discount or penalty of not to exceed ten per cent; and Provided, further, that in order to maintain Association's revenues in the developmental period in which the increased demand for power may not compensate for the greatly reduced rates provided for in Schedule B, Association may impose a surcharge upon those classes of consumers subject to a surcharge under the provisions of said schedule. Association may, subject to the approval of Authority, initially determine and may from time to time vary such surcharge subject, however, to Article 9 of the contract. Surcharges shall be based on a straight percentage of net bills, and shall apply uniformly to all members of classes as to which surcharges are authorized.

7. Adjustment of Rates: In the event of a major increase or decrease in general price and wage levels of such substantial character as materially and substantially to change the cost basis upon which the wholesale rates fixed by this contract are predicated, the parties hereto agree, by supplemental contract or contracts, or otherwise, to make appropriate adjustment to such rates. Should the cost of living index for the United States as a whole compiled by the Department of Labor of the United States show a decrease for a period of six consecutive

calendar months, or for any month in said period if index figures are not reported for each month thereof, of 20 per cent or more under the index figures for the index period including the month in which this contract is signed, or for any month in said period if index figures are not reported for each month thereof, Association may in writing request Authority to agree to such a reduction in rates as the circumstances may warrant, and should such index figures show a 20 per cent or more increase for the same period or month, as the case may be, Authority may in writing request Association to agree to such an increase in rates as the circumstances may warrant. If within thirty days after the receipt of such a request the parties shall be unable to agree to a satisfactory adjustment, the question shall be submitted to three arbitrators, one to be appointed by each of the parties, and a third to be appointed by the two so selected. A decision of the arbitrators shall require only a majority vote, and such a decision shall be final and binding upon both parties. Should either of the parties fail or refuse to appoint an arbitrator within fifteen days after receipt of written request from the other party to make such an appointment, or should the arbitrators so appointed fail to agree upon a third arbitrator within such period, Association shall only be liable, if costs have decreased, for the amount of its bill as computed under the rates provided for therein, less such a percentage as it may fix, such percentage in no event to exceed the per cent of decrease in the cost of living as determined by the Department of Labor; and if costs have increased, Association shall be liable for such an additional amount as Authority may fix, such increase not to exceed the percentage of increase in the cost of living as determined by the Department of Labor. The rates as adjusted pursuant to this section shall be applied to the billing for the first calendar month following their deter-

mination, and shall remain in effect for the duration of the contract, unless there should be other major changes in general price levels, in which case the procedure of rate adjustment herein prescribed shall be applicable to successive changes in rates. Should the Department of Labor fail to compile and publish indices on changes in the cost of living, or publish such indices less frequently than once in every six months, other reliable indices on such changes may be used in their stead.

8. Reduction in Rates: Authority agrees to reduce the wholesale rates herein fixed whenever, in the opinion of Authority, reductions in the cost of generating and transmitting energy make feasible such reductions in rates; it being the intention of the parties that Association shall participate in the benefits of reductions in the cost of generation and transmission.

9. Administration of Association's System: Association agrees:

(a) To administer its electric system as a separate department and not mingle funds or accounts with those of any other of its operations.

(b) To keep its electric system accounts according to a system of accounts to be prescribed by Authority after conference with Association, which system of accounts will so far as possible be uniform with other systems prescribed and applied for other wholesale customers purchasing electrical energy from Authority. Authority agrees at its own expense to render advisory accounting service in the setting up and administering of such accounts.

(c) To furnish promptly to Authority such operating and financial statements relating to electric system operations as may be requested by Authority.

(d) To allow the duly authorized agents of Authority to have free access to all books and records relating to electric system operations.

(e) To sell and distribute energy without discrimination between customers of the same class or between members of the same class, and no rate shall be charged or practice adopted which will grant a discriminatory rate, rebate or other special concession to customers served by Association. Association shall observe the principle that the sale of energy for industrial use shall be a secondary purpose to be utilized principally to secure a sufficiently high load factor and revenue to permit domestic rural use at the lowest possible rates and in such manner as to encourage increased domestic and rural use of electricity.

10. Service to Nearby Areas: Association agrees to accept into membership and to serve applicants in nearby rural and suburban areas whenever such service can feasibly be rendered.

11. Construction and Maintenance of Association's Equipment: All equipment, material and work in connection with Association's electrical installation must conform to accepted modern practice.

12. Submetering: Association shall not sell current for submetering or resale purposes except under a contract obligating the customer to charge no more for such service than Association's own rates therefor.

13. Substations. If at the request of Association service is rendered from more than one substation, or through more than one transformation at the same substation, Authority will bill for each substation or additional transformation separately.

DOUMENT NO. 4.

Loan and Grant Agreement Dated as of ....., 1934, Between the City of Florence, Alabama (Herein Called the "Borrower") and the United States of America (Herein Called the "Government").

Part One

1. Purpose of Agreement. Subject to the terms and conditions of this Loan and Grant Agreement (herein called the "Agreement"), the Government will, by loan and grant not exceeding in the aggregate the sum of $436,000, aid the Borrower in financing a project (herein called the "Project") consisting of the construction of an electric distribution system, including substations, an office building and warehouse therefor, and other necessary appurtenances thereto, all pursuant to the Borrower's application (herein called the "Application"), P. W. A. Docket No. 4259, Title II of the National Industrial Recovery Act (herein called the "Act"), and the Constitution and Statutes of the State of Alabama, including particularly:

Act No. 107, General and Local Acts of Alabama, Extra Session 1933, p. 100.

2. Description of Bonds.

(a) Designation: Electric Distribution System Bond.

(b) Authorized Principal Amount: $336,000.

(c) Type: Special obligation, serial, coupon bonds.

(d) Registration: Registerable at the option of the holder as to principal only.

(e) Date: April 1, 1934.

(f) Interest: At the rate of 4 per cent per annum, payable October 1, 1934, and semi-annually thereafter on April 1 and October 1 in each year.

(g) Maturities: Payable on April 1, in years and amounts as follows:

Year	Amount	Year	Amount
1938	$11,000	1949	$15,000
1939	12,000	1950	15,000
1940	13,000	1951	15,000
1941	14,000	1952	15,000
1942	14,000	1953	15,000
1943	14,000	1954	15,000
1944	14,000	1955	15,000
1945	14,000	1956	20,000
1946	15,000	1957	20,000
1947	15,000	1958	20,000
1948	15,000	1959	20,000

(h) Security: Special obligations of the Borrower, payable solely from and secured only by a first pledge of the revenues derived from the operation of the project, after provision only for the reasonable cost of operation and maintenance thereof.

(i) Place and Medium of Payment: Payable at the office of the City Treasurer, Florence, Alabama, or, at the option of the holder, at a bank or trust company in the Borough of Manhattan, City and State of New York, in any coin or currency which, on the respective dates of payment of the principal and interest on the Bonds, is legal tender for public and private debts.

(j) Denomination: $1,000.

Other provisions may be substituted for the provisions of sub-paragraphs (a), (b), (c), (d), (e), (f), (g), (i) and (j) of this Paragraph by the Borrower if the consent of the Federal Emergency Administrator of Public Works (herein called the "Administrator") to such substitution is obtained.

3. Amount and Method of Making Grant. The Govern-

ment will make and the Borrower will accept, whether or not any or all of the Bonds shall be sold to a purchaser or purchasers other than the Government, a Grant in an amount equal to thirty per centum of the cost of the labor and materials employed upon the Project. Wherever the expression "cost of labor and materials" is used in this Agreement, such expression shall mean such cost as determined by the Administrator, and his determination thereof shall be final. The Government will make part of the Grant by payment of money and the remainder of the Grant by cancellation of bonds and/or interest coupons; provided, however, that if all of the Bonds are sold to purchasers other than the Government, the Government will make the entire Grant by payment of money.

4. Conditions Precedent to the Government's Obligations. The Government shall be under no obligation to pay for any of the Bonds or to make any Grant:

(a) Financial Condition and Budget. If, in the judgment of the Administrator, the financial condition of the Borrower shall have changed unfavorably in a material degree from its condition as theretofore represented to the Government, or the Borrower shall have failed to balance its budget satisfactorily or shall have failed to take action reasonably designed to bring the ordinary current expenditures of the Borrower within the prudently estimated revenues thereof;

(b) Cost of Project: If the Administrator shall not be satisfied that the Borrower will be able to complete the Project for the sum of $436,000, being the cost estimated at the time when the Application was approved by the Government, or that the Borrower will be able to obtain, through additional borrowing or otherwise, in a manner satisfactory to the Administrator, any additional funds which the Administrator shall believe to be necessary to complete the Project;

(c) Compliance. If the Borrower shall not have complied, to the satisfaction of the Administrator, with all the provisions contained in this Agreement or in the proceedings authorizing the issuance of the Bonds, theretofore to be complied with by the Borrower;

(d) Legal Matters. If the Administrator shall not be satisfied as to all legal matters and proceedings affecting the Bonds, the security therefor or the Project;

(e) Representations. If any representation made by the Borrower in this Agreement or in the Application or in any supplement thereto or amendment thereof, or in any document submitted to the Government by the Borrower shall be found by the Administrator to be incorrect or incomplete in any material respect;

(f) Tennessee Valley Authority Contract. If the Borrower shall not execute a valid contract, satisfactory to the Administrator, between the Borrower and the Tennessee Valley Authority, under the terms of which the Tennessee Valley Authority will supply electrical energy to the Borrower, and will permit the Borrower to charge such rates, in accord with the provisions of the Act and Ordinance authorizing the issuance of the Bonds, as may be reasonably necessary to pay the cost of operation and maintenance of the Project and the principal of and interest upon the Bonds;

(g) Rate and Bond Ordinances. If the ordinance providing for the fixing and maintenance of rates and collection of charges for the facilities and services afforded by the Project and the ordinance providing for the authorization, issuance and sale of the Bonds, and the use of the revenues derived from the operation of the Project, shall not be satisfactory in form and substance to the Administrator;

(h) Court Decisions. If the Supreme Court of Ala-

bama shall not have rendered a decision which satisfies the Administrator that the Borrower may legally construct the Project, authorize and sell the Bonds, make all covenants and agreements contained in the Bonds, the proceedings authorizing their issuance and sale and in this Agreement, and enter into the contract with the Tennessee Valley Authority referred to in sub-paragraph (f) of Paragraph 4, Part One, hereof.

5. Bond Counsel and Bond Proceedings. When this Agreement has been executed the Borrower (unless it has already done so) shall promptly:

(a) Retain municipal bond counsel satisfactory to the Administrator to assist the Borrower in the proceedings relative to the authorization, issuance and sale of the Bonds and to give legal opinions on such matters relative thereto as may be requested by the Administrator; and

(b) Take all the proceedings necessary for the authorization and issuance of the Bonds.

6. Bond and Grant Requisitions. From time to time after the execution of this agreement, the Borrower shall file a requisition with the Government requesting the Government to take up and pay for Bonds or to make a payment on account of the Grant. Each requisition shall be accompanied by such documents as may be requested by the Administrator (a requisition together with such documents being herein collectively called a "Requisition".)

7. Bond Purchases. If a Requisition requesting the Government to take up and pay for Bonds is satisfactory in form and substance to the Administrator, the Government, within a reasonable time after the receipt of such Requisition, will take up and pay for Bonds, having maturities satisfactory to the Administrator, in such amount as will

provide, in the judgment of the Administrator, sufficient funds for the construction of the Project for a reasonable period. Payment for such Bonds shall be made at the Birmingham Branch of the Federal Reserve Bank of Atlanta, Birmingham, Alabama (herein called the "Reserve Bank") or at such other place or places as the Administrator may designate, against delivery by the Borrower of such Bonds, and all unmatured interest coupons appertaining thereto, together with such documents as may be requested by the Administrator. The Government shall be under no obligation to take up and pay for Bonds beyond the amount which in the judgment of the Administrator is needed by the Borrower to complete the Project.

8. Grant by Payment of Money. If a Requisition requesting the Government to make a payment on account of the Grant is satisfactory in form and substance to the Administrator, the Government will pay to the Borrower at the Reserve Bank or at such place or places as the Administrator may designate against delivery by the Borrower of its receipt therefor, a sum of money equal to the difference between the aggregate amount previously paid on account of the Grant, and

(a) Twenty-five per centum of the cost of the labor and material shown in the Requisition to have been employed upon the Project if the Requisition shows that the Project has not been completed, or

(b) Thirty per centum of the cost of such labor and materials if the Requisition shows that the Project has been completed and that all costs incurred in connection therewith have been determined;

provided, however, that the part of the Grant made by payment of money to the Borrower shall not be in excess of the difference between $436,000 and the aggregate princi-

pal amount of the Bonds purchased by the Government. The Government reserves the right to make any part of the Grant by cancellation of Bonds and/or interest coupons rather than by payment of money if the Borrower does not need the money to pay costs incurred in connection with the construction of the Project.

9. Grant by Cancellation of Bonds. If the Borrower, within a reasonable time after the completion of the Project, shall have filed a Requisition, satisfactory in form and substance to the Administrator, then the Government will cancel such Bonds and/or interest coupons as may be selected by the Administrator in an aggregate amount equal (as nearly as may be) to the difference between thirty per centum of the cost of the labor and materials employed upon the Project and the part of the Grant made by payment of money. The Government will hold Bonds or interest coupons for such reasonable time in an amount sufficient to permit compliance with provisions of this Paragraph, unless payment of such difference shall have been otherwise provided for by the Government.

10. Grant Advances. At any time after the execution of this Agreement the Government may, upon request of the Borrower, if, in the judgment of the Administrator, the circumstances warrant make advances to the Borrower on account of the Grant, but such advances shall not be in excess of thirty per centum of the cost of the labor and materials to be employed upon the Project, as estimated by the Administrator.

11. Deposit of Bond Proceeds and Grant; Bond Fund; Special Accounts: The Borrower shall deposit all accrued interest which it receives from the sale of the Bonds at the time of the payment therefor and any payment on ac-

count of the Grant which may be made under the provisions of Paragraph 9, Part One, hereof, into an interest and bond retirement fund account (herein called the "Bond Fund") promptly upon the receipt of such accrued interest or such payment on account of the Grant. It will deposit the remaining proceeds from the sale of the Bonds (whether such Bonds are sold to the Government or other purchasers) and the part of the Grant made by payment of money under the provisions of Paragraph 8, Part One, hereof, promptly upon the receipt of such proceeds, or payments in a separate account or accounts (each of such separate accounts herein called a "Special Account"), in a bank or banks which are members of the Federal Reserve System and of the Federal Deposit Insurance Corporation and which shall be satisfactory at all times to the Administrator. Provided, however, that interest on said Bonds accruing prior to complete construction of the Project shall be paid from the proceeds of said Bonds to the extent such interest is not available from funds received as accrued interest. and, provision shall be made that, upon the delivery of said Bonds and the receipt of the proceeds, a sufficient sum, including the accrued interest received, shall be withdrawn from the proceeds and placed in said Bond Fund to pay said interest.

12. Disbursement of Monies in Special Accounts and Bond Fund. The Borrower shall expend the monies in a Special Account only for such purposes as shall have been previously specified in Requisitions filed with the Government and approved by the Administrator. Any monies remaining unexpended in any Special Account after the completion of the Project which are not required to meet unpaid obligations incurred in connection with the construction of the Project shall either be paid into the Bond Fund,

or said monies shall be used for the purchase of such of the Bonds as are then outstanding at a price not exceeding the principal amount thereof plus accrued interest. Any Bonds so purchased shall be cancelled and no additional Bonds shall be issued in lieu thereof. The monies in the Bond Fund shall be used solely for the purpose of paying interest on and principal of the Bonds.

13. Other Financial Aid from the Government. If the Borrower shall receive any funds directly or indirectly from the Government or any agency or instrumentality thereof, other than the Loan or Grant, to aid in financing the construction of the Project, to the extent that such funds are so received the Grant shall be reduced, and to the extent that such funds so received exceed the part of the Grant which would otherwise be made by payment of money, the aggregate principal amount of Bonds to be purchased by the Government shall be reduced.

Part Two.

In Consideration of the Grant, the Borrower Covenants That:

1. Construction Work. All work on the Project shall be done subject to the rules and regulations adopted by the Administrator to carry out the purposes and control the administration of the Act. The following rules and regulations as set out in Bulletin No. 2, revised on March 3, 1934, entitled, "P. W. A. Requirements as to Bids, Contractor's Bonds, and Contract, Wage, and Labor Provisions and General Instructions as to Applications and Loans and Grants", shall be incorporated verbatim (except that in all places where the term "Borrower" is used the name of the Borrower shall be inserted) in all construction contracts for work on the Project:

"1. (a) Convict labor.—No convict labor shall be employed on the Project and no materials manufactured or produced by convict labor shall be used on the Project.

"(b) Thirty-hour week.—Except in executive, administratrive, and supervisory positions, so far as practicable and feasible in the judgment of the Government engineer, no individual directly employed on the Project shall be permitted to work more than eight hours in any one day nor more than thirty hours in any one week: Provided, that this clause shall be construed to permit working time lost because of inclement weather or unavoidable delays in any one week to be made up in the succeeding twenty days.

"(c) No work shall be permitted on Sundays or legal holidays except in cases of emergency.

"2. Wages.—(a) All employees directly employed on this work shall be paid just and reasonable wages which shall be compensation sufficient to provide, for the hours of labor as limited, a standard of living in decency and comfort. Such wages shall in no event be less than the minimum hourly wage rates for skilled and unskilled labor prescribed by the Administrator for the zone or zones in which the work is to be done, viz:

Skilled labor	$1.00
Unskilled labor	.40

"(b) In the event that the prevailing hourly rates prescribed under collective agreements or understandings between organized labor and employers in effect on April 30, 1933, shall be above the minimum rates specified above, such agreed wage rates shall apply: Provided, That such agreed wage rates shall be effective for the period of this contract, but not to exceed twelve months from the date of the contract.

"(c) The above designated minimum rates are not

to be used in discriminating against assistants, helpers, apprentices, and serving laborers who work and serve skilled journeymen mechanics and who are not to be termed as 'unskilled laborers.'

"(d) The provisions of this contract relating to hours and minimum wage rates for labor directly employed on the Project shall for the purposes of this contract, to the extent applicable, supersede the terms of any code adopted under Title I of the Act permitting longer hours or lower minimum wage rates.

"(e) All employees shall be paid in full not less often than once each week and in lawful money of the United States, unless otherwise permitted by the Government Engineer, in the full amount accrued to each individual at the time of closing of the pay roll, which shall be at the latest date practicable prior to the date of payment, and there shall be no deductions or rebates on account of goods purchased, rent, or other obligations, but such obligations shall be subject to collection only by legal process: Provided, however, that this clause shall not be construed to prohibit the making of deductions for premiums for compensation and medical aid insurance, in such amounts as are authorized by the laws of the State of Alabama to be paid by employees, in those cases in which, after making the deductions, the wage rates will not be lower than the minimum wage rates herein established.

"(f) A clearly legible statement of all wage rates to be paid the several classes of labor employed on the work, together with a statement of the deductions therefrom for premiums for workmen's compensation and/or medical aid insurance authorized by the laws of the State of Alabama, should such deductions be made, shall be posted in a prominent and easily accessible place at the site of the work, and there shall be kept a true and accurate record of the hours worked by and the wages, exclusive of all authorized

deductions, paid to each employee, and the Engineer Inspector shall be furnished with a sworn statement thereof on demand.

"(g) The Board of Labor Review (herein called the 'Board') shall hear all labor issues arising under the operation of this contract and such issues as may result from fundamental changes in economic conditions during the life of this contract.

"(h) The minimum wage rates herein established shall be subject to change by the Administrator on recommendation of the Board. In the event that, as a result of fundamental changes in economic conditions, the Administrator, acting on such recommendation, from time to time establishes different minimum wage rates (referred to in Paragraph 2 (a), (b) and (c) hereof) all contracts for work on the Project shall be adjusted accordingly by the parties thereto so that the contract price to the contractor under any contract or to any sub-contractor under any sub-contract shall be increased by an amount equal to any such increased cost, or decreased by an amount equal to any such decreased cost.

"(i) Engineers, architects, and other professional and sub-professional employees engaged on the Project shall receive the prevailing local rates for the various types of service to be rendered, except that in no case shall they receive less than the hourly rates set for the highest paid class of skilled labor directly employed on the Project.

"3. (a) Labor preferences. — Preference shall be given, where they are qualified, to ex-service men with dependents, and then in the following order: (1) to citizens of the United States and aliens who have declared their intention of becoming citizens, who are bona fide residents of the City of Florence, and/or Lauderdale County, Alabama, and (2) to citizens of the United States and aliens who have declared their

intention of becoming citizens, who are bona fide residents of the State of Alabama: Provided, That these preferences shall apply only where such labor is available and qualified to perform the work to which the employment relates.

"(b) Employment services.—To the fullest extent possible, labor required for the Project and appropriate to be secured through employment services shall be chosen from the lists of qualified workers submitted by local employment agencies designated by the United States Employment Service: Provided, however, that union labor, skilled and unskilled, shall not be required to register at such local employment agencies but, if such labor is desired by the employer, shall be secured in the customary ways through recognized union locals. In the event, however, that employers who wish to employ union labor are not furnished with qualified union workers by the union locals which are authorized to furnish such labor residing in the locality within 48 hours (Sundays and holidays excluded) after request is filed by the employer, all labor shall be chosen from lists of qualified workers submitted by local agencies designated by the United States Employment Service. In the selection of workers from lists prepared by such employment agencies and union locals, the labor preferences provided in section (a) of this Paragraph 3 shall be observed, and preference shall be given to those unemployed at the date of registration who, at the date of selection, have no other available employment.

"(c) Compliance with Title I of the Act: The following section 7 (a) (1) and 7 (a) (2) of Title I of the Act shall be observed:

> "(1) That employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of

employers of labor, or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection; (2) that no employee and no one seeking employment shall be required as a condition of employment to join any company union or to refrain from joining, organizing, or assisting a labor organization of his own choosing;"

"4. Human Labor.—The maximum of human labor shall be used in lieu of machinery wherever practicable and consistent with sound economic and public advantage; and to the extent that the work may be accomplished at no greater expense by human labor than by the use of machinery, and labor of requisite qualifications is available, such human labor shall be employed.

"5. Compensation Insurance.—Every employer of labor shall provide, if permitted by the laws of the State of Alabama, adequate workmen's compensation insurance for all labor employed by him on the Project who may come within the protection of such laws and shall provide, where practicable, employers' general liability insurance for the benefit of his employees not protected by such compensation laws, and proof of such insurance satisfactory to the Government Engineer shall be given. Where it is not permitted by law that such insurance be provided, some method satisfactory to the Administration must be provided, by which the employees may, by paying the entire amount of the premium, derive a similar protection.

"6. Persons entitled to benefits of labor provisions. —There shall be extended to every person who performs the work of a laborer or of a mechanic on the Project or on any part thereof the benefits of the

labor and wage provisions of this contract, regardless of any contractual relationship between the employer and such laborer or mechanic. There shall be no discrimination in the selection of labor on the ground of race, creed or color.

"7. Withholding payment.—Under all construction contracts, the Borrower may withhold from the contractor so much of accrued payments as may be necessary to pay to laborers or mechanics employed on the work, the difference between the rate of wages required by this contract to be paid to laborers or mechanics on the work and the rate of wages actually paid to such laborers or mechanics.

"8. Accident prevention.—Reasonable precautions shall at all times be exercised for the safety of employees on the work and applicable provisions of the Federal, State and municipal safety laws and building and construction codes shall be observed. All machinery and equipment and other physical hazards shall be guarded in accordance with the safety provisions of the 'Manual of Accident Prevention in Construction' of the Associated General Contractors of America, unless and to the extent that such provisions are incompatible with Federal, State or municipal laws or regulations.

"9. (a) N. R. A. materials.—So far as articles, materials, and supplies produced in the United States are concerned, only articles, materials and supplies produced under codes of fair competition under Title I of the Act, or under the President's Re-employment Agreement, shall be used in the performance of this work, except when the Government Engineer certifies that this requirement is not in the public interest or that the consequent cost is unreasonable.

"(b) Local preference. So far as practicable, and subject to the provisions of section (a) of this Para-

graph 9, preference shall also be given to the use of locally produced materials if such does not involve higher cost, inferior quality, or insufficient quantities, subject to the determination of the Government Engineer; but there shall be no requirement providing price differentials for, or restricting the use of materials to, those produced within the Nation or State.

"10. (a) Inspection of records. The Administrator, through his authorized agents, shall have the right to inspect all work as it progresses, and shall have access to all pay rolls, records of personnel, invoices of materials, and any and all other data relevant to the performance of this contract. There shall be submitted to the Administrator, through his authorized agents, the names and addresses of all personnel, and such schedules of the costs of labor, costs and quantities of materials, and other items, supported as to correctness by such evidence, as, and in such form as, the Administrator, through his authorized agents, may require. The submission and approval of said schedules, if required, shall be a condition precedent to the making of any payment under the contract.

"(b) There shall be provided for the use of the Engineer Inspector such reasonable facilities as he may request. In case of dispute the Government Engineer shall determine the reasonableness of the request.

"11. Reports. Every employer of labor on the Project shall report within five days after the close of each calendar month, on forms to be furnished by the United States Department of Labor, the number of persons on their respective pay rolls directly connected with the Project, the aggregate amounts of such pay rolls, and the man-hours worked, wage scales paid to the various classes of labor, and the total expenditures for materials. Two copies of each of such monthly reports are to be furnished to the Government Engineer, and one copy of each to the United States

Department of Labor. The contractor under any construction contract shall also furnish to the Borrower, to the Government Engineer, and to the United States Department of Labor the names and addresses of all subcontractors on the work at the earliest date practicable.

"12. There shall be provided all necessary services and all materials, tools, implements and appliances required to perform and complete entirely and in a workmanlike manner the work provided for in this contract. Except as otherwise approved in writing by the Government Engineer, such services shall be paid for in full at least once a month and such materials, tools, implements and appliances shall be paid for at least once a month to the extent of 90% of the cost thereof to the contractor, and the remaining 10% shall be paid thirty days after the completion of the part of the work in or on which such materials, tools, implements or appliances are incorporated or used.

"13. Signs. Signs bearing the legend 'Public Works Project No. 4259' shall be erected in appropriate places at the site of the Project.

"14. All reasonable rules and regulations which the Administrator may prescribe toward the effectuation of the matters covered by Paragraphs 1 to 13 inclusive, shall be observed in the performance of the work.

"15. Subcontractors. (a) Appropriate provisions shall be inserted in all subcontracts relating to this work to insure the fulfillment of all provisions of this contract affecting such contractors, particularly Paragraphs 1 to 14 inclusive.

"(b) No bid shall be received from any subcontractor who has not signed U. S. Government Form No. P. W. A. 61, revised March—1934.

"16. Termination for breach. In the event that any of the provisions of Paragraphs 1 to 15 inclusive of this contract are violated by the contractor under the construction contract or by any subcontractor under any subcontract on the work, the Borrower may, subject to the approval of the Government Engineer, and upon the request of the Administrator shall, terminate the contract by serving written notice upon the contractor of its intention to terminate such contract, and, unless within ten days after the serving of such notice, such violation shall cease, the contract shall, upon the expiration of said ten days, cease and terminate. In the event of any such termination the Borrower may take over the work and prosecute the same to completion or otherwise for the account and at the expense of the contractor and/or subcontractor, and the contractor and his sureties shall be liable to the Borrower for any excess cost occasioned the Borrower in the event of any such termination, and the Borrower may take possession of and utilize in completing the work, such materials, appliances, and plant as may be on the site of the work, and necessary therefor. This clause shall not be construed to prevent the termination for other causes provided in the construction contract.

"17. Definition. The term 'Administrator' as used herein refers to the Federal Emergency Administrator of Public Works. The term 'Act' as used herein refers to the National Industrial Recovery Act. The term 'Government Engineer' as used herein shall mean the State Engineer (P. W. A.) or his duly authorized representative, or any person designated to perform his duties or functions under this Agreement by the Administrator. The term 'Engineer Inspector' as used refers to State Engineer Inspector, Resident and Assistant Resident Engineer Inspectors, and Supervising Engineers, appointed by the Administrator. The term 'materials' as used herein in-

cludes, in addition to materials incorporated in the Project or used or to be used in the operation thereof, equipment and other materials used and/or consumed in the performance of the work."

2. Restriction as to Contractors. The Borrower shall receive no bid from any contractor, nor permit any contractor to receive any bid from any subcontractor, who has not signed U. S. Government Form No. P. W. A. 61, revised March, 1934.

3. Bonds and Insurance. Construction contracts shall be supported by adequate surety or other bonds or security satisfactory to the Administrator for the protection of the Borrower, of material men, and of labor employed on the Project or any part thereof. The contractor under any construction contract shall be required to provide public liability insurance in an amount satisfactory to the Government Engineer.

4. Force Labor. If prices in the bids are excessive, the Borrower reserves the right, anything in this Agreement notwithstanding, to apply to the Administrator for permission to do all or any part of the Project by day labor, upon such conditions as the Administrator may impose.

Part Three

1. Construction of Project. Not later than upon the receipt by it of the first Bond payment, the Borrower will promptly commence or cause to be commenced the construction of the Project, and the Borrower will thereafter continue such construction or cause it to be continued to completion with all practicable dispatch, in an efficient and economical manner, at a reasonable cost and in accordance with the provisions of this Agreement, such en-

gineering supervision and inspection as the Administrator or his representatives may require, and plans, drawings, specifications and construction contracts which shall be satisfactory to the Administrator. Except with the prior written consent of the Administrator, no materials or equipment for the Project shall be purchased by the Borrower subject to any chattel mortgage or any conditional sale or title retention agreement.

2. Information. During the construction of the Project the Borrower will furnish to the Government all such information and data as the Administrator may request as to the construction, cost and progress of the work. The Borrower will furnish to the Government and to any purchaser from the Government of 25 per centum of the Bonds, such financial statements and other information and data relating to the Borrower and the project as the Administrator or any such purchaser may at any time reasonably require.

3. Representations and Warranties. The Borrower represents and warrants as follows:

(a) Litigation. No litigation or other proceedings are now pending or threatened which might adversely affect the Bonds, the construction and operation of the Project, or the financial condition of the Borrower;

(b) Financial Condition. The character of the assets and the financial condition of the Borrower are as favorable as at the date of the Borrower's most recent financial statement furnished to the Government as a part of the Application, and there have been no changes in the character of its assets or in its financial condition except such changes as are necessary and incidental to the ordinary and usual conduct of the Borrower's affairs;

(c) Fees and Commissions. No fee or commission

has been or will be paid by the Borrower or any of its officers, employees, agents or representatives, and no agreement to pay a fee or commission has been or will be entered into by or on behalf of the Borrower, or any of its officers, employees, agents, or representatives, in order to secure the loan or grant hereunder;

(d) Affirmation. Every statement contained in this Agreement, in the Borrower's Application, and in any supplement there to or amendment thereof, and in any other document submitted to the Government by or on behalf of the Borrower is correct and complete, and no relevant fact materially affecting the Bonds, the Grant or the Project, or the obligations of the Borrower under this Agreement has been or will be omitted therefrom.

4. Sale of Bonds by the Government. The Borrower will take all such steps as the Government may reasonably request to aid in the sale by the Government of any or all of the Bonds. Upon request, the Borrower will furnish to the Government or to any purchaser from the Government of 25 per centum of the Bonds, information for the preparation of a bond circular in customary form, signed by the proper official of the Borrower, containing such data as the Government or such purchaser may reasonably request concerning the Borrower and the Project.

5. Expenses. The Government shall be under no obligation to pay any costs, charges and expenses incident to compliance with any of the duties or obligations, of the Borrower under this Agreement, including, without limiting the generality of the foregoing, the cost of preparing, executing or delivering the Bonds or obtaining all legal opinions requested by the Administrator.

6. Waiver. Any provision of this Agreement may be waived or amended with the consent of the Borrower and

the written approval of the Administrator, without the execution of a new or supplemental agreement, if, in the opinion of the Administrator, which shall be conclusive, such waiver or amendment does not substantially vary the terms of this Agreement.

7. Interest of Member of Congress. No member of or Delegate to the Congress of the United States of America shall be admitted to any share or part of this Agreement, or to any benefit to arise therefrom.

8. Validation. The Borrower hereby covenants that it will institute, prosecute and carry to completion in so far as it may be within the power of the Borrower, any and all acts and things to be perfomed or done to secure the enactment of legislation or to accomplish such other proceedings, judicial or otherwise, as may be necessary, appropriate or advisable to empower the Borrower to issue the Bonds and to remedy any defects, illegalities and irregularities in the proceedings of the Borrower relative to the issuance of the Bonds and to validate the same after the issuance thereof to the Government, if in the judgment of the Administrator such action may be deemed necessary, appropriate or advisable. The Borrower further covenants that it will procure and furnish to the Government, as a condition precedent to the Government's obligations hereunder, a letter from the Governor of the State of Alabama advising that if in the judgment of the Administrator it may be advisable to enact legislation to empower the Borrower to issue the Bonds or to remedy any defects, illegalities or irregularities in the proceedings of the Borrower relative to the issuance thereof or to validate the same, said Governor will recommend and cooperate in the enactment of such legislation.

9. Miscellaneous. Subject to the limitations herein contained, this Agreement shall be binding upon the parties hereto when a copy thereof, duly executed by the Borrower and the Government, shall have been received by the Borrower. This Agreement shall be governed by and be construed in accordance with the laws of the State of Alabama.

10. Naming of Project. The Project shall not be named except with the written consent of the Administrator.

11. Undue Delay by the Borrower. If in the opinion of the Administrator, which shall be conclusive, the Borrower shall delay for an unreasonable time in carrying out any of the duties or the obligations to be performed by it under the terms of this Agreement, the Administrator may cancel this Agreement.

12. Nature of Liability. It is expressly understood and agreed that this Agreement does not constitute an indebtedness of the Borrower within the meaning of any provision or limitation of the Constitution of the State of Alabama, and it is hereby made a condition of this Agreement that the covenants, agreements, representations, and warranties herein contained do not and shall never impose a pecuniary liability upon the Borrower or charge against its general credit.

13. Construction of Agreement. If any provision of this Agreement shall be invalid in whole or in part, to the extent it is not invalid it shall be valid and effective and no such invalidity shall affect, in whole or in part, the validity and effectiveness of any other provision of this Agreement of the right or obligations of the parties hereto, provided, in the opinion of the Administrator, the Agreement does not then violate the terms of the Act.

In Witness Whereof, the City of Florence, Alabama, and the United States of America have respectively caused this Agreement to be duly executed as of the day and year first above written.

City of Florence, Alabama,

By .....

.....

United States of America,

By .....
Federal Emergency Administrator
of Public Works.

Seal

Attest:

.....

.....

DOCUMENT NO. 5.

Plaintiffs' Exhibit 54.

For Publication — Washington
Immediate Release — December 17, 1934

Federal Power Commission

The Federal Power Commission, through its Chairman, Frank R. McNinch, tonight issued the following statement:

The statement characterized as a memorial by Mr. Thomas N. McCarter, President of the Edison Electric Institute, which he presented this afternoon to the President, was immediately referred to the Federal Power Commission.

This memorial is a confession of the abuses of the electric power industry and an appeal against the efforts of the Government to correct those abuses.

The "grave crisis" which now causes Mr. McCarter such concern had its origin when the leaders of the industry were in full control of its policies and plans. It was then that the "abuses and acts" were perpetrated which Mr. McCarter now says "cannot be defended". The investigations of the Federal Trade Commission show that they were not, as Mr. McCarter says, "the exception and not the rule". On the contrary, they permeated the industry.

The industry's representative now speaks of regulation as if it had always been welcomed by the industry. On the contrary, the record shows a policy of opposition and obstruction toward efforts at effective regulation either by the Federal Government or the states. The constitution-

ality of the Federal Water Power Act of 1920, which seeks to apply regulatory principles to a part of the industry, is being contested in the courts as vigorously as Mr. McCarter proposes to contest the constitutionality of the Tennessee Valley Authority Act.

A few simple facts sufficiently disclose the fallacy of Mr. McCarter's labored argument as to the reasonableness of electric rates in the United States. Official publications show that in 1932 the average domestic consumer in the United States paid $34.00 a year for electricity and in Canada paid $26.83. But the consumer in Canada got 1208 kilowatt hours for his money and in the United States only 611 kilowatt hours. In other words, the Canadian paid two and one-fifth cents for his electricity and the consumer in the United States five and one-half cents. These Canadian figures cover not only public plants, but also the private plants which supply 46% of the consumers.

It is the purpose of the Administration to narrow this excessive gap between what the consumer pays for electricity in this country and what Canada has proved it can be generated and sold for. This program does not involve either "destructive competition or strangulation".

Nor does the gloomy picture that Mr. McCarter paints correctly reflect the views of the progressive leaders of the industry who are most directly affected by the Government's activities in the Tennessee Valley. On the contrary, Mr. Charles A. Collier, Vice President of the Georgia Power Company, which operates in the very shadow of the Tennessee Valley Authority, told the Edison Electric Institute, at its meeting in June, 1934: "Personally, I do not feel a bit pessimistic over the situation. I think the whole plan of the Electric Home and Farm Authority is a

blessing in disguise. * * * My suggestion is to lift yourselves out of that old attitude of mind that this utility business is a God-given right, and that the customer is there for the purpose of supporting the utility, and get on the band wagon and you will be happier and more prosperous, and your customer happier and more prosperous as a result of such an activity."

The one concrete proposal offered by Mr. McCarter is that the Government join the Edison Institute in testing the constitutionality of the Tennessee Valley Act. The policy embodied in this Act was proclaimed by the President in plain language in his address at Portland, Oregon, in the campaign of 1932. This policy was overwhelmingly approved by the American people in the election of that year. The Act was passed by Congress after extended debates in which every conceivable question as to its constitutionality was raised. The policies of the Administration were again strongly endorsed by the American people in 1934.

We are therefore confronted with this situation: On the one side we have the opinion of the two eminent lawyers retained by Mr. McCarter. On the other, we have the opinion of the majority of the American people, the decision of learned constitutional lawyers in both Houses of Congress, the views of the President and the many able counsel in the Executive Departments. And yet Mr. McCarter now suggests that the Government cast doubt upon the validity of its own legislation by joining with him in litigation to test the Government's own powers. In all the history of the American Government no parallel for such a proposal can be found.

The Edison Electric Institute has, of course, a legal

right to promote litigation to test the Act creating the Tennessee Valley Authority or any other statute, but it will make no substantial progress toward placing the electric industry on a sound and permanent basis until it cleans its own house, reduces excessive rates to consumers, and eliminates the malpractices and abuses which are responsible for its present condition.

The call is not for the Government to halt, but for the industry to catch step and move forward along progressive lines.

DOCUMENT NO. 6.

Plaintiffs' Exhibit No. 32

Certificate of Incorporation
of
Electric Home and Farm Authority, Inc.

We, the undersigned, in order to form a corporation for the purposes hereinafter stated, under and pursuant to the provisions of the General Corporation Law of the State of Delaware, being Chapter 65 of the Revised Code of 1915, and the acts amendatory thereof and supplemental thereto, do hereby certify as follows:

First: The name of the Corporation shall be Electric Home and Farm Authority, Inc.

Second: The principal office of the Corporation in the State of Delaware is to be located at No. 100 West Tenth Street, in the City of Wilmington, County of New Castle. The name of its resident agent shall be The Corporation Trust Company, No. 100 West Tenth Street, Wilmington, Delaware.

Third: The nature of the business of the Corporation and the objects or purposes proposed to be transacted, promoted and carried on by it, are as follows:

A—To advance the general economic welfare of the nation by developing and fostering the increased use of electrical power through the reduction of the cost thereof to the consumer and through the reduction of the cost and price of electrical equipment and appliances; to aid in the distribution of electrical appliances and equipment by financing the purchase thereof through the lending and ad-

vancing of money, extending of credit and guaranteeing of obligations of individuals, firms, corporations and others, upon the security of mortgages or other liens upon or claims against electrical appliances and equipment, and in general to carry on in connection with such financing a chattel mortgage-loan business; to cooperate with any Federal agency or branch of the Federal Government or with any of the several States, or subdivisions or agencies of such States, or with cooperative or other organizations, or with private corporations or associations, and to make such studies, experiments or demonstrations as may be necessary and suitable to advance and foster an orderly and proper physical, economic and social development in any of the several States by means of the use of electricity or electrical power; to make such surveys and general plans for the use of electricity and electrical appliances and equipment as may be useful to Congress and to the several States in guiding and controlling the extent, sequence, and nature of development which may be equitably and economically advanced through the expenditure of public funds or through the guidance or control of public authority; to perform any and all functions, and exercise any and all powers which may be duly delegated to it under and pursuant to the National Industrial Recovery Act, approved June 16th, 1933, and any amendment or amendments hereafter made to said Act.

B—To manufacture, buy, sell, deal in, and to engage in, conduct and carry on the business of manufacturing, buying, selling and dealing in electrical appliances and equipment and in goods, wares and merchandise of every class and description necessary or useful for the operations of the Corporation.

C—To lend or advance money to, extend financial assistance to, accept bills of exchange from, endorse the notes and guarantee the obligations of, individuals, firms, corporations and/or others, with or without collateral security of any kind whatsoever, and to buy, discount, sell, rediscount, pledge, hypothecate and otherwise deal in, notes, warehouse receipts, pledges, bills of lading, freight receipts, trust receipts, open accounts, mortgages, conditional sales contracts, and other similar evidences of debt and to loan money and to take notes, open accounts and other similar evidences of debt as collateral security therefor.

D—To borrow money, and to make and issue notes, bonds, debentures, obligations and evidences of indebtedness of all kinds, whether secured by mortgage, pledge or otherwise, without limit as to amount, and to secure the same by Mortgage, pledge or otherwise, to constitute itself trustee of any property for the purpose of securing its obligations or for any other purpose; and generally to make and perform agreements and contracts of every kind and description.

E—To improve, manage, develop, sell, assign, transfer, lease, mortgage, pledge or otherwise dispose of or turn to account or deal with all or any part of the property of the Corporation and from time to time to vary any investment or employment of capital of the Corporation.

F—To apply for, obtain, register, purchase, lease or otherwise to acquire and to hold, own, use, develop, operate and introduce, and to sell, assign, grant licenses or territorial rights in respect to, or otherwise to turn to account or dispose of, any copyrights, trade marks, trade names, brands, labels, patent rights, letters patent of the United States or of any other country or government, in-

ventions, improvements and processes, whether used in connection with or secured under letters patent or otherwise.

G—To the same extent as natural persons might or could do, to purchase or otherwise acquire, and to hold, own, maintain, work, develop, sell, lease, exchange, hire, convey, mortgage, or otherwise dispose of and deal in, lands and leaseholds, and any interest, estate and rights in real property, and any personal or mixed property, and any franchises, rights, licenses or privileges necessary, convenient or appropriate for any of the purposes herein expressed.

H—To acquire by purchase, subscription or otherwise, and to hold for investment or otherwise, and to use, sell, assign, transfer, mortgage, pledge, or otherwise deal with or dispose of stock, bonds, or any other obligations or securities of any person, firm, association, trust, or corporation; to merge or consolidate with any corporation in such manner as may be permitted by law; to aid in any manner any corporation whose stock, bonds, or other obligations are held or in any manner guaranteed by the Corporation, or in which the Corporation is in any way interested; and to do any other acts or things for the preservation, protection, improvement or enhancement of the value of any such stock, bonds or other obligations, or to do any acts or things designed for any such purpose; and while the owner of any such stock, bonds or other securities or obligations to exercise all the rights, powers and privileges of ownership thereof, and to exercise any and all voting powers thereof; to guarantee the payment of dividends upon any stock, and the principal or interest or both, of any bonds or other obligations and the performance of any contracts.

I—To do all and everything necessary, suitable and proper for the accomplishment of any of the purposes or the attainment of any of the objects of the furtherance of any of the powers herein set forth, either alone or in association with other corporations, firms or individuals, and to do every other act or acts, thing or things incidental or appurtenant to or growing out of or connected with the aforesaid business or powers or any part or parts thereof, provided that the same be not inconsistent with the laws under which the Corporation is organized.

J—The business or purpose of the Corporation is from time to time to do any one or more of the acts and things hereinabove set forth, and it shall have power to conduct and carry on business or any part thereof in this State, other States, the District of Columbia, the territories and colonies of the United States, and in foreign countries, and to have one or more offices out of this State, and to exercise any or all of its corporate powers and rights out of this State, and to hold, purchase, mortgage and convey real and personal property out of this State.

K—The enumeration herein of the objects and purposes of this Corporation shall be construed as powers as well as objects and purposes and shall not be deemed to exclude by inference any powers, objects or purposes which this Corporation is empowered to exercise, whether expressly by force of the laws of the State of Delaware now or hereafter in effect or impliedly by the reasonable construction of said laws.

Fourth: The total number of shares of stock which the Corporation shall have authority to issue is Ten Thousand (10,000), and the par value of each share is One Hundred ($100.00) Dollars.

This Corporation is formed pursuant to and in accordance with an Executive Order of the President of the United States dated December 19, 1933, Number 6514. All of the capital stock of the Corporation is to be subscribed for by the incorporators for the use and benefit of the United States, and is to be issued and held in the name of the United States. All rights and privileges of stockholders, including voting rights and privileges, are to be exercised on behalf of the United States by the Directors of the Tennessee Valley Authority, a corporation organized and existing under the Tennessee Valley Authority Act of 1933, jointly or by such person or persons as the said Directors of the Tennessee Valley Authority shall appoint as their joint agent or agents. The election or appointment of directors of the Corporation shall be subject to the approval of the President of the United States.

Fifth: The minimum amount of the capital with which the Corporation will commence business is One Thousand ($1,000.00) Dollars.

Sixth: The name and place of residence of each of the incorporators is as follows:

Name	Residence
Arthur E. Morgan	Knoxville, Tennessee
Harcourt A. Morgan	Knoxville, Tennessee
David E. Lilienthal	Knoxville, Tennessee

Seventh: The Corporation is to exist for seven (7) years from the date of incorporation.

Eight: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatsoever.

Ninth: The following provisions are inserted for the

management of the business and the conduct of the affairs of the Corporation.

A—The number of directors of the Corporation shall be three (3) and directors need not be stockholders of the Corporation. The election of directors need not be by ballot.

B—The directors shall have the power, without the assent or vote of the stockholders, to make and alter by-laws of the Corporation; to fix and vary the amount to be reserved as working capital; to authorize and cause to be executed mortgages and liens upon all the property of the Corporation, or any part thereof; to determine the use and disposition of any surplus or net profits over and above the capital stock paid in, and in their discretion the directors may use and apply any such surplus or accumulated profits in purchasing or acquiring the bonds or other obligations or shares of capital stock of the Corporation, to such extent and in such manner and upon such terms as the directors shall deem expedient; but shares of such capital stock so purchased or acquired may be resold unless such shares shall have been retired for the purpose of decreasing the Corporation's capital stock as provided by law.

C—The directors shall have the power, with the consent in writing of the holders of the voting stock issued and out-standing, or upon the affirmative vote of the holders of the stock issued and outstanding having voting power, to sell, lease, or exchange all of its property and assets, including its good will and its corporate franchises, upon such terms and conditions as the board of directors deem expedient and for the best interests of the Corporation.

D—In addition to the powers and authorities hereinbefore or by statute expressly conferred upon them, the di-

rectors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation; subject, nevertheless, to the provisions of the statutes of Delaware, of this Certificate, and of any by-laws from time to time made by the stockholders; provided, however, that no by-law so made shall invalidate any prior act of the directors which would have been valid if such by-law had not been made.

Tenth: Both stockholders and directors shall have power, if the by-laws so provide, to hold their meetings, and to have one or more offices within or without the State of Delaware, and to keep the books of this corporation (subject to the provisions of the statutes), outside of the State of Delaware at such places as may be from time to time designated by the board of directors.

Eleventh: The corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

In Witness Whereof, we have hereunto set our hands and seals on the dates appearing opposite our respective names:

January 13th, 1934	Arthur E. Morgan	(L. S.)
January 13th, 1934	Harcourt A. Morgan	(L. S.)
January 6th, 1934	David E. Lilienthal	(L. S.)

State of Tennessee }
County of Knox }

Be it Remembered that on this 13th day of January, A. D. 1934, personally came before me J. M. Hickey, a Notary Public in and for the County and State aforesaid, Arthur E. Morgan and Harcourt A. Morgan, two of the parties to the foregoing certificate of incorporation, known to me personally to be such, and severally acknowledged the said certificate to be the act and deed of the signers respectively, and that the facts therein stated are truly set forth.

Given under my hand and seal of office the day and year aforesaid.

J. M. Hickey
Notary Public, State of Tennessee,
County of Knox.

My Commission Expires:
April 12th, 1936

J. M. Hickey
Notary Public
Knox County, Tennessee.

State of New York }
County of New York } ss.

Be it Remembered that on this 6th day of January, A. D. 1934, personally came before me, A. Catherine Handel, a Notary Public in and for the County and State aforesaid, David E. Lilienthal, one of the parties to the foregoing Certificate of Incorporation, known to me personally to be such, and acknowledged the said Certificate to be his act and deed, and that the facts therein stated are truly set forth.

Given under my hand and seal of office the day and year aforesaid.

A. Catherine Handel
Notary Public, State of New York,
County of New York.

My Commission expires:
March 30, 1934.
A. Catherine Handel
Notary Public
New York County
Notary Public
New York County No. -448
New York Register's No.

State of Delaware

Emblem

Office of Secretary of State.

I, Charles H. Grantland, Secretary of State of the State of Delaware, do hereby certify that the above and foregoing is a true and correct copy of Certificate of Incorporation of the "Electric Home and Farm Authority, Inc.", as received and filed in this office the seventeenth day of January, A. D. 1934, at 1 o'clock P. M.

In Testimony Whereof, I have hereunto Set My Hand and Official Seal at Dover, this seventeenth day of January in the year of our Lord one thousand nine hundred and thirty-four.

(Seal)

Charles H. Grantland
Secretary of State.

CLERK'S CERTIFICATE.

The United States of America }
Northern District of Alabama }

I, W. S. Lovell, Clerk of the District Court of the United States, in and for the Northern District of Alabama, do hereby certify that the foregoing pages, numbered from one (1) to one thousand two hundred and seventy-seven (1277), both inclusive, is a full, true and correct transcript of the record on appeal in the matter of Tennessee Valley Authority, et al., Appellants, vs. George Ashwander, et al., Appellees, as fully as the same appears of record and on file in my office.

In Testimony Whereof, I have hereunto set my hand and affixed the seal of said Court, on this the ..... day of April, A. D. 1935.

W. S. Lovell,
Clerk, United States District Court
Northern District of Alabama